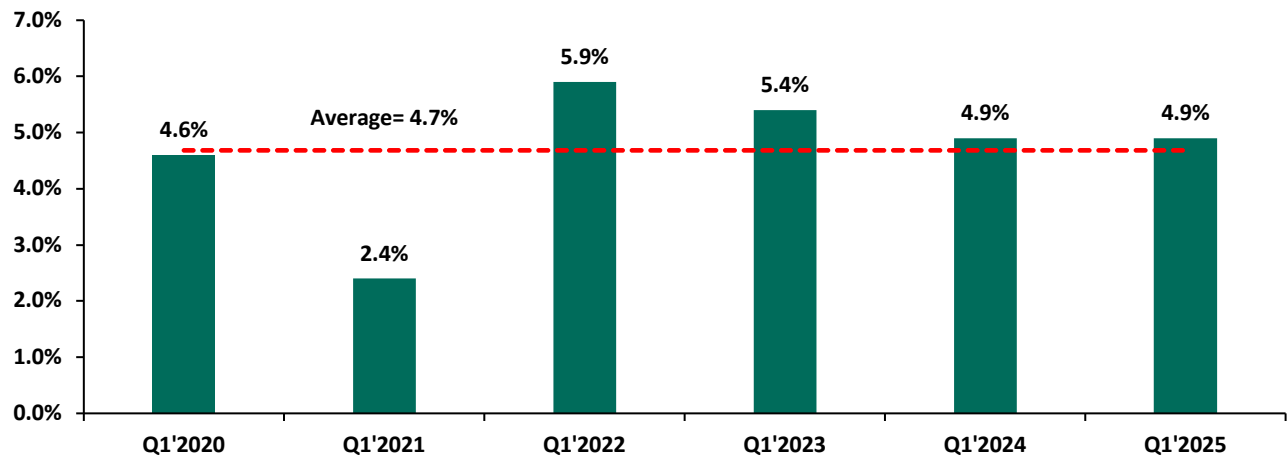


Kenya Q1'2025 GDP Note

The Kenya National Bureau of Statistics (KNBS) released the [Q1'2025 Quarterly Gross Domestic Product Report](#), highlighting that the Kenyan economy recorded a 4.9% growth in Q1'2025, at par with the 4.9% growth recorded in Q1'2024. The main contributor to Kenyan GDP remains to be the Agriculture, fishing and forestry sector which grew by 6.0% in Q1'2025, higher than the 5.6% expansion recorded in Q1'2024. All sectors in Q1'2025 recorded positive growths, with varying magnitudes across activities. Most sectors recorded contraction in growth rates compared to Q1'2024 with Accommodation & Food Services, Financial Services Indirectly Measured and Professional Administration recording growth rate declines of 34.0%, 13.4% and 4.8% points to 4.1%, 9.0% and 4.6% from 38.1%, 15.4% and 9.4% respectively. Other sectors recorded an expansion in growth rates, from what was recorded in Q1'2024, with Mining and Quarrying, Taxes on products and Construction recording the highest growths in rates of 26.0%, 2.8% and 2.6% points, to 10.0%, 5.7% and 0.4% from (16.1%), 2.9% and 3.0% respectively.. The chart below shows the first Quarter Kenyan GDP growth rates;

Cytonn Report: Q1'2025 GDP Growth Rates



Source: KNBS

The table below shows the growth of the various sectors and their overall contribution to GDP:

Cytonn Report: Q1'2024 and Q1'2025 GDP Contribution and Growth rates				
Sector	Contribution Q1'2024	Contribution Q1'2025	Q1'2024 Growth	Q1'2025 Growth
Agriculture and Forestry	18.9%	19.1%	5.6%	6.0%
Real estate	10.2%	10.2%	6.9%	5.3%
Transport and Storage	9.1%	9.0%	4.1%	3.8%
Financial & Insurance	9.0%	9.0%	9.6%	5.1%
Wholesale and retail trade	8.4%	8.5%	3.6%	5.4%
Taxes on Products	8.2%	8.3%	2.9%	5.7%
Manufacturing	7.9%	7.7%	1.9%	2.1%
Public administration	5.9%	6.0%	7.5%	6.5%
Construction	5.3%	5.2%	0.4%	3.0%
Education	4.9%	4.8%	2.4%	2.9%
Information and Communication	3.4%	3.4%	9.2%	5.8%

Professional admin	2.7%	2.7%	9.4%	4.6%
Electricity and Water Supply	2.3%	2.3%	2.8%	3.6%
Health	2.1%	2.1%	5.4%	4.8%
Other services	2.0%	2.0%	5.1%	3.0%
Accommodation & Food Services	1.6%	1.6%	38.1%	4.1%
Mining and quarrying	0.8%	0.9%	(16.1%)	10.0%
Financial Services Indirectly Measured	(2.9%)	(2.8%)	15.4%	2.0%
GDP at Market Prices	100.0%	100.0%	4.9%	4.9%

Source: KNBS

The key take-outs from the report are:

- Sectoral contribution to growth:** The biggest gainer in terms of sectoral contribution to GDP was the Agriculture and forestry sector, increasing by 0.2% points to 19.1% in Q1'2025 from 18.9% in Q1'2024, while the Manufacturing was the biggest loser, declining by 0.2% points to 7.7% in Q1'2025, from 7.9% in Q1'2024. Real Estate was the second largest contributor to GDP at 10.2% in Q1'2025, remaining constant from Q1'2024, indicating sustained growth. Mining and quarrying sector recorded the highest growth rate in Q1'2025 growing by 10.0%, a reversal from the 16.1% decline recorded in Q1'2024.
- Increased growth in the Agricultural Sector:** Agriculture and Forestry recorded a growth of 6.0% in Q1'2025. The performance was an increase of 0.2% points, from the expansion of 5.6% recorded in Q1'2024. Additionally, the sector remains the major contributor to GDP, with the sectoral contribution to GDP marginally increasing by 0.2% to 19.1% in Q1'2025, from 18.9% recorded in Q1'2024. The increase in growth was mainly on the back of;
 - The quantity of milk deliveries to processors increased by 14.5% to 250.6 million litres during the quarter under review from 218.8 million litres in the first quarter of 2024
 - Coffee exports increased by xx% to 16,894.4 metric tonnes during the quarter under review from 9,722.3 metric tonnes in the first quarter of 2024
 - The quantity of sugarcane produced increased by 2.3% to 2,358.1 thousand metric tonnes from 2,305.2 metric tonnes in the first quarter of 2024

The sector's growth was however weighed down by;

 - Tea production decreased by 18.9% to stand at 136.9 thousand metric tonnes in the period under review, from the 168.8 thousand metric tonnes registered in a similar period last year
- Accelerated growth in the electricity and water supply sector** - The Electricity and Water Supply sector recorded an accelerated growth of 3.6% in Q1'2025 compared to a 2.8% growth in a similar period of review in 2024, with the sectoral contribution to GDP remaining unchanged from the 2.3% recorded in Q1'2024. Notably, total electricity generated increased by 5.0% to 3,208.8 million-kilowatt hour (KWh) in Q1'2025, from 3,056.0 million KWh in Q1'2024. The sector's performance was supported by an increase in solar and wind power, it was however curtailed by a decline in production from Hydro sources;
 - Electricity generated from thermal sources increased by 56.5% in the first quarter of 2025 to 382.8 million KWh compared to 244.6 million KWh in Q1'2024
 - Similarly, electricity generated from wind and solar increased by 12.5% and 6.3% to stand at 133.0 million KWh and 521.9 million KWh, respectively, in the quarter under review

However, the sector's growth was weighed down by a decrease in hydroelectric power;

- i. Hydroelectric generation decreased by 1.3% to 797.0 million kWh in Q1'2025 from 807.3 million kWh recorded in Q1'2024,
- **Reduced growth in the Accommodation and Food Service sector:** Accommodation and Food Services sector recorded double digit decline in growth Q1'2025, having expanded by 4.1%, significantly slower than the 38.1% recorded in Q1'2024. Additionally, the contribution to GDP remained relatively unchanged from the 1.6% recorded in Q1'2024. Some of the notable improvements include:
 - i. Arrivals through the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) rose by 0.5% in the first quarter of 2025 compared to the 10.4% growth which was recorded in Q1'2024
 - **Reduced growth in the Financial and Insurance Services Sector:** The Financial and Insurance sector growth rate slowed down by 4.5% points to 5.1% in Q1'2025 compared to the 9.6% in Q1'2024, attributable to the rise in cost of credit during the period. Additionally, the contribution to GDP increased by 0.01% points to remain relatively unchanged from the 9.0% recorded in Q1'2024. Some of the notable improvements include:
 - i. Broad money supply (M3) grew by 6.8% to Kshs 6.2 trillion as at end of March 2025, from Kshs 5.8 trillion recorded as at the end of March 2024.
 - ii. The NSE 20 Share Index rose by 27.1% to 2,227.0 points in March 2025 from 1,752.0 points in March 2024, signaling improved performance in the equity market.

However, growth in this sector was weighed down by;

- i. The number of shares traded in the Nairobi Securities Exchange decreased by 46.0% to 362.0 mn in March 2025 from 670.0 million in March 2024. Similarly, the total value of traded shares decreased by 30.5% in March 2025 to 8.2 billion from 11.8 billion in March 2024
- **Expansion in the construction sector:** The construction sector recorded an expansion rate of 3.0% in Q1'2025 compared to 0.4% growth in the same period last year, while the contribution to GDP decreased by 0.1% points, to 5.2% in Q1'2025, from 5.3% recorded in Q1'2024. Growth in the sector was supported by:
 - i. Credit extended to enterprises in the construction sector increased by 11.6% to stand at Kshs 157.3 billion as at March 2025, from Kshs 141.0 billion in Q1'2024,
 - ii. Cement consumption increased by 20.7% to stand at 2,344.8 thousand tonnes from 1,942.9 thousand tonnes in the corresponding period of 2024,

However, growth in this sector was weighed down by;

- i. The quantity of imported bitumen decreased by 17.6% to 14,200.0 tonnes in the period under review from 17,238.0 tonnes recorded in the first quarter of 2024,
- **Decelerated growth in the Transport and Storage Sector:** The Transport and Storage sector registered a decelerated growth rate of 0.3% points to 3.8% in Q1'2025 compared to the 4.1% in Q1'2024. Additionally, the contribution to GDP decreased by 0.1% points, to 9.0% in Q1'2025, from 9.1% recorded in Q1'2024. Growth in the sector was supported by:
 - i. A rise in Mombasa Port throughput by 12.6% to 10,610.0 thousand metric tonnes in the period under review from 9,422.0 thousand metric tonnes in the first quarter of 2024
 - ii. The consumption of light diesel increased by 2.5% to 561.4 thousand tonnes in the first quarter of 2025 from 547.6 thousand tonnes in the same period last year. This underlines the growth in the sector.

- iii. Similarly, the volume of cargo transported via SGR increased by 39.7% to 1,820.6 thousand metric tonnes in the period under review from 1,303.3 thousand metric tonnes in the first quarter of 2024

However, growth in this sector was weighed down by;

- i. The number of passengers transported via Standard Gauge Railway (SGR) declined by 7.2% to 529.6 thousand in the first quarter of 2025 from 531.7 thousand in the first quarter of 2024

In 2025, Kenya's economy is projected to grow at a faster pace, estimated between 5.2%-5.4%. This optimistic outlook is attributed to improved business activity, supported by a stronger and more stable Kenyan Shilling, reduced borrowing costs, and the relatively lower inflation rates. However, the growth trajectory faces challenges from a tough business environment characterized by increasing taxes and a high cost of living. Despite these hurdles, recent economic developments provide a more favorable outlook. The Central Bank of Kenya (CBK) made a significant policy move in June 2025 by lowering the Central Bank Rate (CBR) by 25 basis points to 9.75%, marking the sixth consecutive rate cut. This accommodative monetary policy stance aims to stimulate private sector lending and boost economic activity. Inflation, while still within the CBK's target range of 2.5% to 7.5%, has been on an upward trend. In June 2025, the year-on-year inflation rate remained unchanged at 3.8% which was recorded in May. This rise is primarily driven by higher food prices, particularly in the food and non-alcoholic beverages category. Despite the gradual rise, inflation remains well within the CBK's target range, providing some assurance for economic stability. The CBK's accommodative monetary policy is expected to alleviate some pressure on the cost of credit, thereby improving access to affordable borrowing. This environment is conducive to increased investment spending by both individuals and businesses, contributing positively to economic activity. The agricultural sector, Kenya's largest contributor to GDP, is anticipated to continue supporting growth due to favorable rainfall. While risks of rising fuel prices persist due to global geopolitical tensions, the overall inflation outlook is more favorable, bolstering optimism for the economic outlook.

In our view, the economy's growth is largely pegged to how quickly inflationary pressures in the country stabilizes, and the sustainability of the strengthening of the Kenyan Shilling. We expect the reduced fuel prices to continue reducing production costs, leading to lower food prices in the country. However, growth is likely to be weighed down by increased taxation by the government thereby decreasing the purchasing power of consumers. As a result, we forecast a 5.2%-5.4%% economic growth rate in 2025.